

## Hampton Roads' Economic Update: Missing Retail Sales

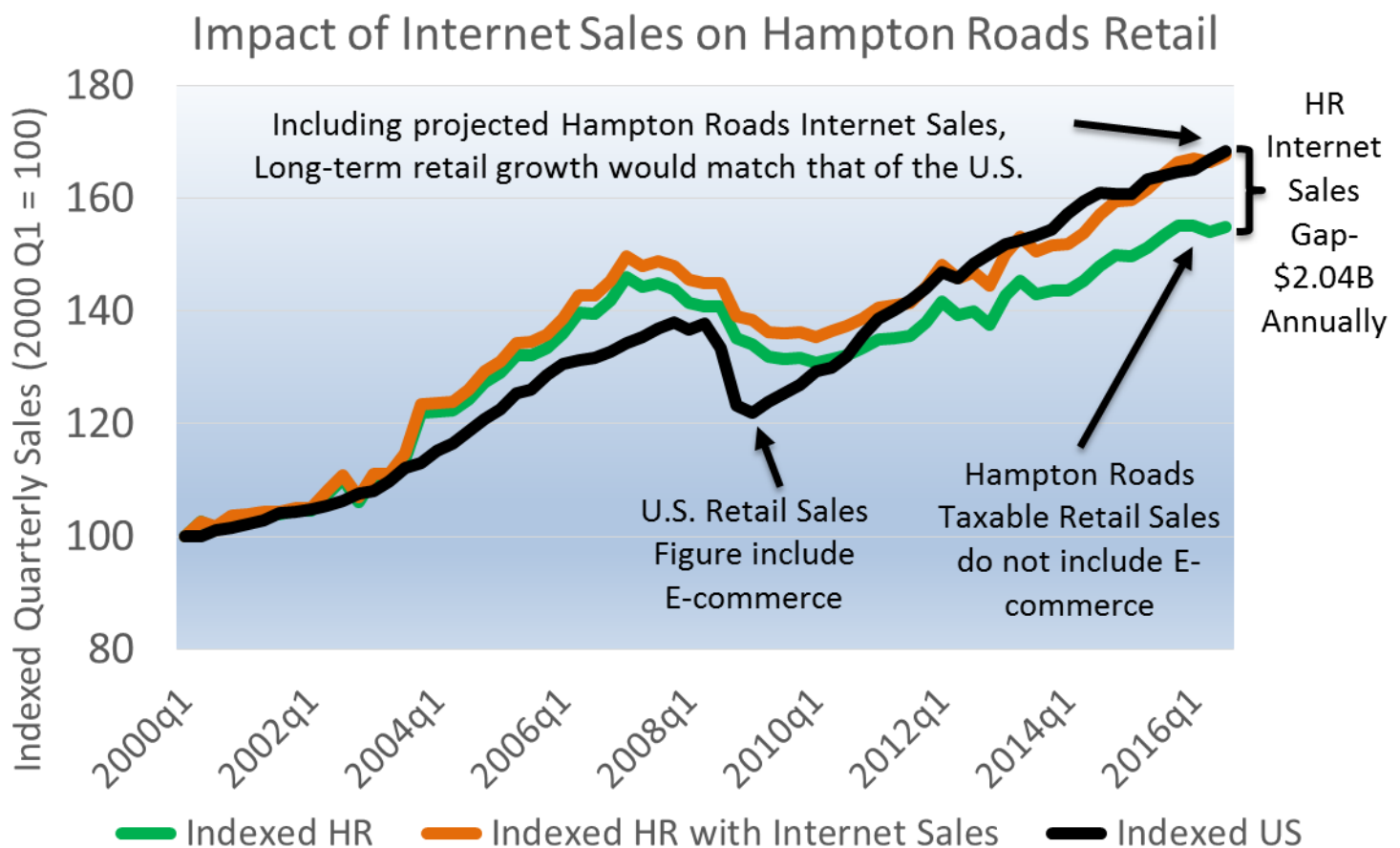
Hampton Roads' retail sales have underperformed those of the nation since the onset of the recovery. There are several explanations for this, including strong growth experienced by the region in the years prior to the Great Recession as well as the weaker employment growth resulting from lower levels of defense spending in recent years. The most important explanation is the increasing influence of e-commerce on retail sales.

Nationally, internet sales have grown to 8.4% of all retail sales in the second quarter of 2016, or \$101 billion sales per quarter. If Hampton Roads' utilization of online retailers conforms to national trends, this would indicate that \$510 million dollars of retail trade has leaked out of brick and mortar retailers to e-commerce.

Although it is difficult to place a precise economic impact of this change, it does result in a loss of \$20 million in annual sales and use taxes for Hampton Roads' localities, as well as impacts on brick and mortar retailers that sustain commercial real estate in the region (likely the lower sales results in at least 2,000 fewer businesses).

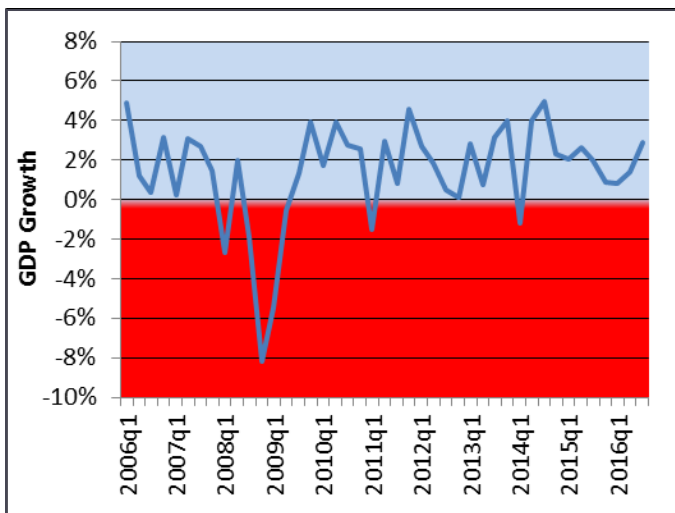
On the other hand, internet sales probably include some level of savings for Hampton Roads consumers, and may have replaced sales made by residents of Hampton Roads in other MSAs (i.e. shopping trips to D.C. or New York City).

\*Hampton Roads also hosts military exchanges which also conduct tax-free retail trade in the region.



### GDP, Annualized Growth Rate

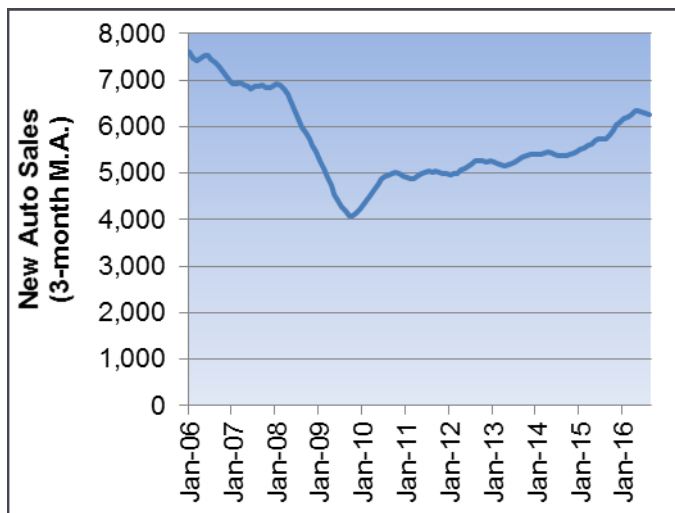
United States, 2006Q1 – 2016Q3, Quarterly



**GDP:** Gross Domestic Product combines consumption, investment, net exports, and government spending to determine the size and general health of the economy. GDP accelerated in the third quarter, growing at a 2.9% real annualized rate (from 1.4% in the first quarter). This acceleration was driven by a growth in business investment, particularly by expected increased contribution to inventories to GDP growth.

### New Car Sales, Seasonally Adjusted

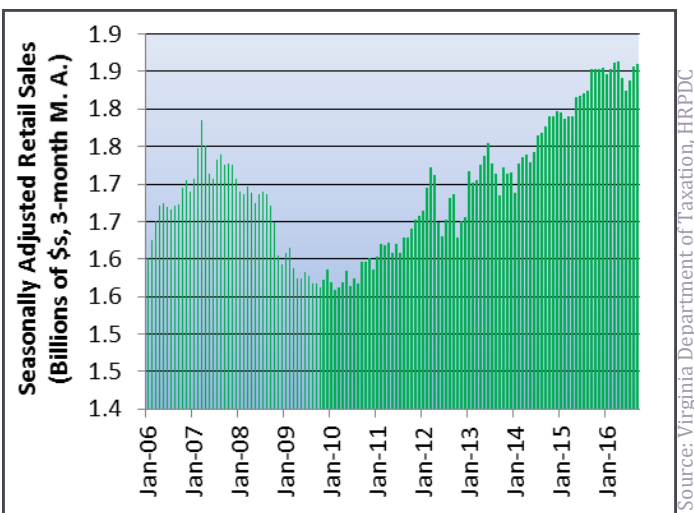
Hampton Roads, Jan 2006 – Sep 2016, Monthly



**New Car Sales:** Car sales, as a durable good, may be put off until such time as an individual's economic prospects improve; thus, the number of new car sales indicates the level of confidence households in Hampton Roads have in their financial future. Car sales in the region have hovered around 6,300 over the past sixth months, above the long term average of 5,900.

### Hampton Roads Retail Sales, Seasonally Adjusted

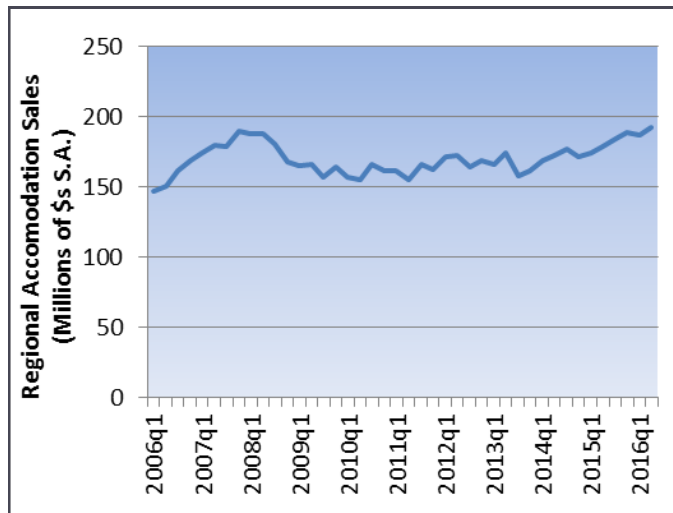
Hampton Roads, Jan 2006– Sep 2016, Monthly



**Retail Sales:** Retail Sales in Hampton Roads, as measured by the 1% local option sales tax, serve as an indicator for consumption in the region. Hampton Roads' monthly sales have increased slightly from \$1.85B in October 2015 to \$1.86B in October 2016, growing to 19.3% above the region's recession lows (though only 4.5% over its prerecession peak). Seasonally adjusted sales dipped in June through July, before growing to their current levels.

### Taxable Accommodation Sales, Seasonally Adjusted

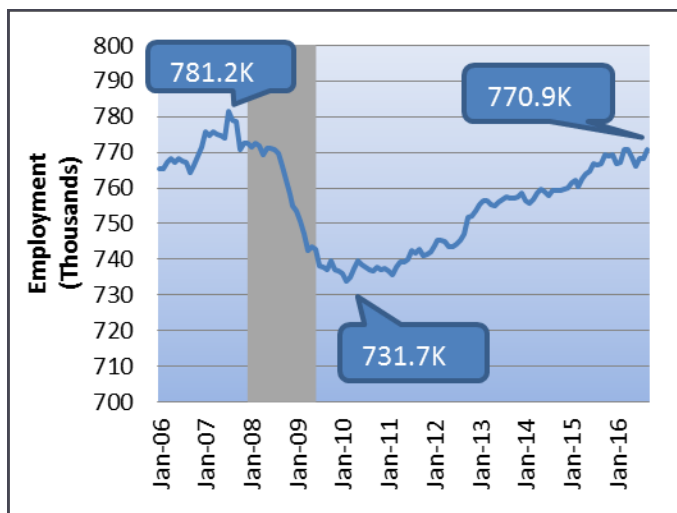
Hampton Roads, 2006Q1 – 2016Q2, Quarterly



**Taxable Accommodation Sales:** Hotel sales indicate the performance of the region's tourism sector. Tourism significantly contracted during the Great Recession and has been following a slow steady growth trend ever since. While seasonally adjusted sales have now passed their pre-recession peak, the region's tourism industry still has room for growth, and the third quarter continues to be the most important for the region's tourism industry.

## Civilian Employment, Seasonally Adjusted

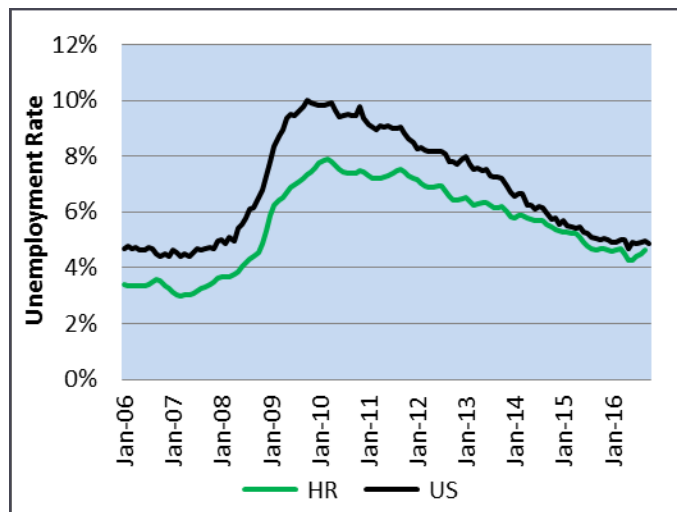
Hampton Roads, Jan 2006 – Sep 2016, Monthly



**Employment:** Non-agricultural civilian employment figures are considered the best estimate of labor market activity by the National Bureau of Economic Research. Hampton Roads employment grew by 2,500 (0.33%) to 770,900 in September, the highest level since the onset of the Great Recession. On the other hand, employment remains only 300 positions above their April level, as there was a significant decline in seasonally adjusted employment through the first half of the summer, as no consistent trend has emerged.

## Unemployment Rate, Seasonally Adjusted

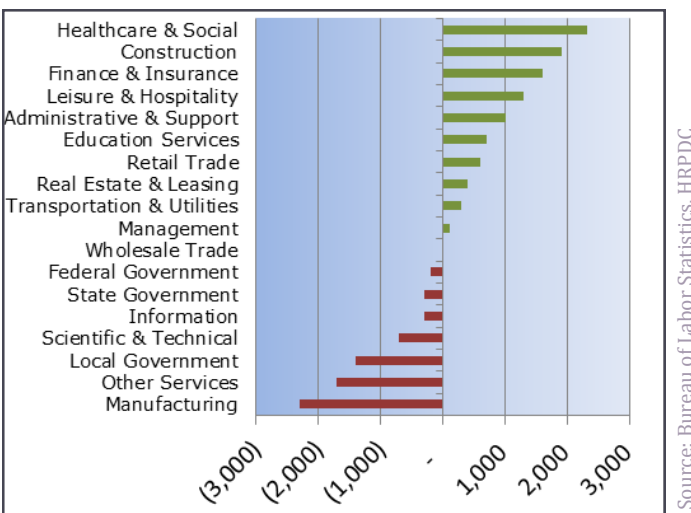
Hampton Roads, Jan 2006 – Sep 2016, Monthly



**Unemployment Rate:** The unemployment rate is the percentage of the population actively seeking work, but unable to obtain a position. The Hampton Roads unemployment rate increased again in September 2016, growing to 4.66% from 4.52% in August and 4.27% in May 2016. While the unemployment rate remains essentially unchanged from September 2015, the labor force has shrunk by 5,000 and the number of persons reporting they are employed has fallen by over 4,800.

## Employment Growth by Industry

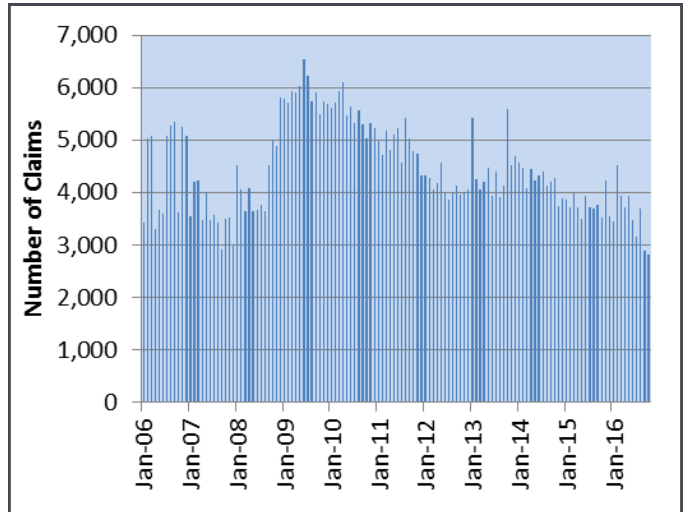
Hampton Roads, Sep 2015 – Sep 2016, Year-over-Year



**Employment Growth by Industry:** Even as the job market grows or declines, there will be some industries whose experience does not resemble the regional trend. Declines in Manufacturing employment nationwide, and Ship and Boat Building & Repair regionally has resulted in fewer jobs in this industry. Also noteworthy is the 1,900 year-over-year growth in construction employment, but construction employment is still 11,400 below its September 2006 level.

## Initial Unemployment Claims, Seasonally Adjusted

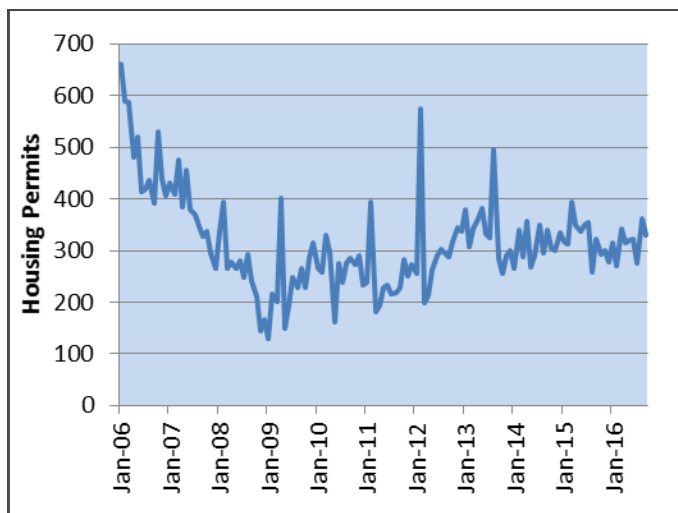
Hampton Roads, Jan 2006 – Sep 2016, Monthly



**Initial Unemployment Claims:** The number of Initial Unemployment Claims is a leading economic indicator, reflecting those who are forced to leave work unexpectedly, and thus revealing the strength of the job market with little lag time. The region's new unemployment claims declined to 2,812 in October, more than 1,500 claims less than the long-term average.

## Single Family Housing Permits, Seasonally Adjusted

Hampton Roads, Jan 2006 – Sep 2016, Monthly

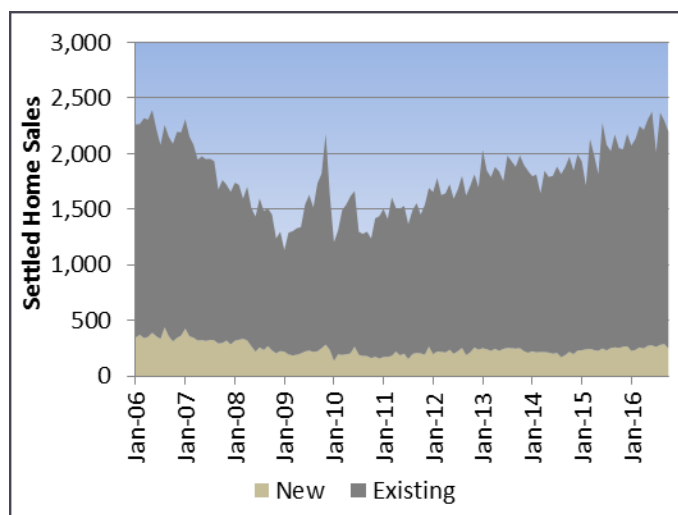


Source: U.S. Census Bureau, HRPDC

**Single Family Housing Permits:** Permit data signals the level of construction employment and confidence regarding the future trajectory of the local economy. Hampton Roads' localities issued 330 single family permits (seasonally adjusted) in September 2016, declining from 363 in August 2016. Single family permits have averaged between 310 and 330 units per month for the last four years.

## Number of Homes Sold, Seasonally Adjusted

Hampton Roads, Jan 2006 – Oct 2016, Monthly

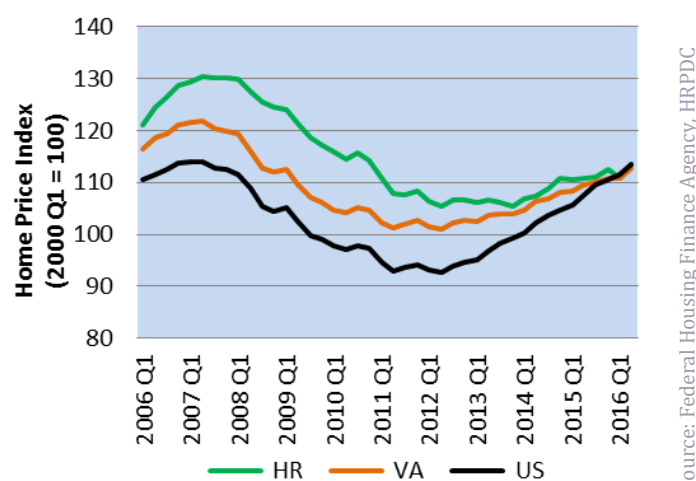


Source: REIN, HRPDC

**Home Sales:** Settled home sales measure the level of transactions on the real estate market over time, and a healthy real estate market should have a consistent level of activity. Hampton Roads' real estate transactions were unnaturally elevated during the boom and dropped substantially during the housing correction. New home sales fell slightly from higher levels in August and September, but existing home sales remain strong at 1,948 per month.

## Home Price Index, All Transactions

U.S., VA., & Hampton Roads, 2006Q1 – 2016Q2, Quarterly

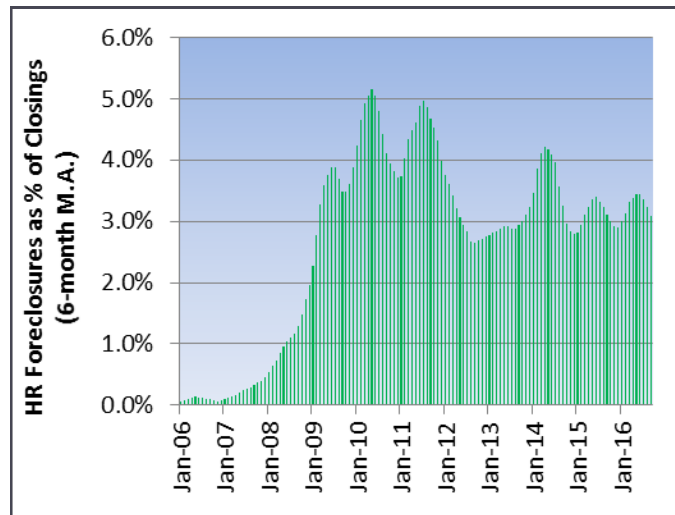


Source: Federal Housing Finance Agency, HRPDC

**Home Price Index:** The home price index measures the value of homes by evaluating changing price levels through repeated sales of properties. The index provides the highest quality data available on the trends in the real estate market. Hampton Roads' real estate values began to increase rapidly in 2003 and grew more rapidly than the nation and the state through 2007. While the region experienced the same level of decline in housing prices as the nation and the Commonwealth, it has yet to experience a similar recovery in home prices.

## Foreclosures as a Share of Homes Sold

Hampton Roads, Jan 2006 – Sep 2016, Monthly



Source: Zillow, HRPDC

**Foreclosures:** Foreclosures have a significant impact on the real estate market and the community, and depress home values on both a neighborhood and regional level. Distressed homes share of total sales has particularly been shown to have an impact on the sale price of existing homes. During the housing boom, foreclosures were a negligible part of the local real estate market, but rose to 5.0% of all sales in July 2011. Distressed sales constituted 3.1% of all Hampton Roads existing home sales in September 2016.